CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the initial period starting on August 18, 2009 and ending March 31, 2010 and all information contained in these statements rests with the management of the Canadian Northern Economic Development Agency (CanNor). These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of CanNor's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in CanNor's *Departmental Performance Report* is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities, and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Agency.

The financial statements of CanNor have not been audited.

Original signed by Nicole Jauvin

Nicole Jauvin
Deputy Minister and President

Original signed by Marie-José Bourassa

Marie-José Bourassa, CA
Chief Financial Officer and
Director General, Corporate Services

Ottawa, Canada
August 16, 2010

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Statement of Financial Position (Unaudited)

As at March 31
(in dollars)

	2010
Assets	
Financial assets	
Due from Consolidated Revenue Fund	**11,741,557**
Total financial assets	**11,741,557**
Non-financial assets	
Tangible capital assets (Note 4)	**96,472**
Total non-financial assets	**96,472**
TOTAL	**11,838,029**
Liabilities and Equity	
Liabilities	
Accounts payable and accrued liabilities (Note 5)	**11,750,276**
Employee severance benefits (Note 6)	**664,173**
Total liabilities	**12,414,449**
Equity of Canada	**(576,420)**
TOTAL	**11,838,029**

The accompanying notes form an integral part of these financial statements.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Statement of Operations *(Unaudited)*

For the year ended March 31
(in dollars)

	2010
Expenses (Note 8)	
Business Development	**1,288,667**
Community Development	**33,381,348**
Policy, Advocacy and Coordination	**2,562,673**
Internal Services	**3,718,778**
Total Expenses	**40,951,466**
Revenues (Note 8)	
Business Development	-
Community Development	-
Policy, Advocacy and Coordination	-
Internal Services	-
Total Revenues	-
Net Cost of Operations	**40,951,466**

The accompanying notes form an integral part of these financial statements.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Statement of Equity of Canada *(Unaudited)*

As at March 31
(in dollars)

	2010
Equity of Canada, beginning of year	-
Net cost of operations	**(40,951,466)**
Net cash provided by Government	**27,973,739**
Change in due from the Consolidated Revenue Fund	**11,741,557**
Services provided without charge from other government departments (Note 7)	**659,750**
Equity of Canada, end of year	**(576,420)**

The accompanying notes form an integral part of these financial statements.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Statement of Cash Flow *(Unaudited)*

For the year ended March 31
(in dollars)

	2010
Operating activities	
Net cost of operations	**40,951,466**
Non-cash items:	
Services provided without charge from other departments (Note 7)	**(659,750)**
Variations in Statement of Financial Position:	
Decrease (increase) in accounts payable and accrued liabilities (Note 5)	**(11,750,276)**
Decrease (increase) in future employee benefits (Note 6)	**(664,173)**
Cash used by operating activities	**27,877,267**
Capital investment activities	
Acquisitions of tangible capital assets (Note 4)	**96,472**
Cash used by capital investment activities	**96,472**
Financing Activities	
Cash used by financing activities	**-**
Net cash provided by Government of Canada	**27,973,739**

The accompanying notes form an integral part of these financial statements.

CANDIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Notes to the Financial Statements (*Unaudited*)

1. Authority and Objectives

The Canadian Northern Economic Development Agency (CanNor) was established on August 18, 2009 in accordance with paragraph 2(a) of the *Public Service Rearrangement and Transfer of Duties Act.* Pursuant to Order-in-Council P.C 2009-1423, the control and supervision portion of the Northern Economic Development Branch in the Department of Indian Affairs and Northern Development was transferred to CanNor. CanNor is established under the authority of Schedule I.1 of the *Financial Administration Act.*

CanNor is an important element of Canada's Northern Strategy in furthering the development of a strong and diversified economy for the benefit of those who live, work and support their families in the North and for all Canadians. CanNor's mandate is to promote economic development in Canada's three territories: the Northwest Territories, Nunavut and Yukon. CanNor delivers regional economic development programs in the territories, co-ordinates and serves as the regional delivery agent for certain national economic initiatives, develops related policy, conducts research, administers federal responsibilities in the North (such as official language minority communities and the Regional Federal Councils), and plays an advocacy role to support effective program delivery and leverage federal involvement for the long-term prosperity of Northerners.

In pursuit of its mandate and to contribute to its strategic outcome of *developed and diversified territorial economies that support prosperity for all Northerners*, CanNor has structured its program activities as follows:

a) Community Development – This program activity supports community-level investments in infrastructure and organizations, individual-level investments in skills and capacity development, and proposals from First Nation, Métis and Inuit entrepreneurs in the North as well as from northern communities, Aboriginal businesses and financial organizations. The objective of this program activity is the establishment of economically sustainable Northern communities with a higher quality of life for residents.

b) Business Development - This program activity supports the growth and expansion of northern businesses, including small and medium enterprises, through training, advisory services, and grants and contributions. The objective of this program activity is the encouragement of a competitive, diverse Northern business sector with a strengthened capacity for innovation.

c) Policy, Advocacy and Coordination – This program activity supports research and analysis to guide programming and policy choices, the promotion of northern interests both inside and outside of the federal government, the development of horizontal strategies, initiatives and projects to address economic development challenges in the North, the coordination of federal responsibilities throughout the regulatory cycle of resource development projects, and close collaboration with key players to improve northern economic development. The objective of this program activity is to ensure that CanNor has the information and understanding required to provide a balanced, regionally sensitive approach that addresses northern priorities while maximizing effectiveness.

d) Internal Services – This program activity supports the programs and other corporate obligations of CanNor to ensure effective and efficient delivery of its mandate.

Notes to the Financial Statements (*Unaudited*)

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

a) Parliamentary authorities – CanNor is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CanNor do not parallel financial reporting according to generally accepted accounting principles since the authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

b) Net cash provided by Government – CanNor operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CanNor is deposited to the CRF and all cash disbursements are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

c) Change in net position in the Consolidated Revenue Fund – Amounts due to/from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that CanNor is entitled to draw from the CRF without further appropriations to discharge its liabilities.

d) Revenues – Revenues from regulatory fees are recognized in the accounts based on the services provided in the year. Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

e) Expenses – Expenses are recorded on the accrual basis:

Grants are recognized in the year in which conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives Parliamentary approval prior to the completion of the financial statements.

Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment; and

Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

f) Employee future benefits

Pension benefits - Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. CanNor's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require CanNor to make contributions for any actuarial deficiencies of the plan.

Severance benefits - Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

g) Accounts receivable - Accounts receivable are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

h) Provision for losses on accounts receivable - The amount of the allowance for losses on accounts receivable is determined based on an assessment of each account. The collectability of each account is reviewed on a semi-annual basis using a standard set of criteria to assess default risk.

i) Contingent liabilities - A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

j) Tangible capital assets - All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

Asset Class	**Amortization Period**
Informatics hardware and software	3 years
Motor vehicles Passenger vehicles and light trucks (less than 1 tonne) Heavy trucks (greater than 1 tonne)	 5 years 10 years
Other Vehicles	5 years
Leasehold improvements	Lesser of useful life or remaining term of lease

k) Measurement uncertainty- The preparation of financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits, and the useful life of tangible capital assets. Actual results could differ significantly from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

CanNor receives its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years.

Accordingly, CanNor has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to current year appropriations used

(in dollars)

	2010
Net cost of operations	**40,951,466**
Adjustments for items affecting net cost of operations but not affecting appropriations:	
Services provided without charge by other government departments	**(659,750)**
Increase in employee severance benefits	**(664,173)**
Increase in vacation pay and compensatory leave	**(94,818)**
	(1,418,741)
Adjustments for items not affecting net cost of operations but affecting appropriations:	
Acquisition of tangible capital assets	**96,472**
Current year appropriations used	**39,629,197**

b) Appropriations provided and used

(in dollars)

	2010
Appropriations Provided:	
Vote 37 – Operating expenditures	**12,994,713**
Vote 39 – Contributions	**20,029,521**
Statutory amounts	**14,703,398**
	47,727,632
Less:	
Lapsed appropriations	**(8,098,435)**
Current year appropriations used	**39,629,197**

4. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value
Capital asset class	Opening Balance	Acquisitions	Disposals/ Adjustments	Closing Balance	Opening Balance	Amortization	Disposals/ Adjustments	Closing balance	2010
Motor vehicles	-	96,472	-	96,472	-	-	-	-	96,472
Total	**-**	**96,472**	**-**	**96,472**	**-**	**-**	**-**	**-**	**96,472**

Amortization expense for the year ended March 31, 2010 is $0 as the vehicles were placed in service after March 15, 2010. The vehicles will be depreciated on April 1st, 2010.

5. Accounts Payable and Accrued Liabilities

The following table presents the details of CanNor's accounts payable and accrued liabilities:

(in dollars)

	2010
Accounts payable to other government departments and agencies	246
Accounts payable to external parties	8,473
	8,719
Accrued liabilities	11,741,557
Total	11,750,276

6. Employee Benefits

a) Pension benefits

CanNor's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and are indexed to inflation.

Both the employees and the Agency contribute to the cost of the Plan. For the year ended March 31, 2010, the expense amounts to $534,149 which represents approximately 1.9 times the contributions by employees.

CanNor's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada as the Plan's sponsor.

b) Severance benefits

CanNor provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(In dollars)

	2010
Accrued benefit obligation, beginning of year	-
Expense for the year	664,173
Benefits paid during the year	-
Accrued benefit obligation, end of year	664,173

7. Related Party Transactions

CanNor is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. CanNor enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, CanNor received services which were obtained without charge from other Government departments as presented below.

a) Services provided without charge

During the year CanNor received without charge from certain common service organizations related to accommodation, legal services, and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in CanNor's statement of operations as follows:

(in dollars)

	2010
Accommodation provided by Public Works and Government Services Canada (PWGSC)	152,295
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	409,854
Salary and associated expenditures for legal services provided by Justice Canada	97,601
Total	659,750

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in CanNor's statement of operations.

8. Segmented Information

Presentation by segment is based on CanNor's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expenses and by major type of revenues. The segment results for the period as are follows:

(in dollars)	Business Development	Community Development	Policy, Advocacy and Coordination	Internal Services	2010 Total
Transfer Payments					
First Nations	1,280,747	5,620,235	-	-	16,900,982
Provincial/Territorial governments and institutions	-	11,064,150	-	-	11,064,150
Non-Profit organizations	-	3,862,451	-	-	3,862,451
Total Transfer Payments	**1,280,747**	**30,546,836**	**-**	**-**	**31,827,583**
Operating Expenses					
Salaries and employee benefits	-	1,985,784	1,846,773	2,897,925	6,730,482
Professional and special services	3,093	383,324	440,058	368,662	1,195,137
Travel and relocation	-	268,998	172,184	115,736	556,918
Machinery and equipment	-	6,985	7,991	180,376	195,352
Accommodations	4,827	124,537	9,119	13,812	152,295
Utilities, materials and supplies	-	3,446	25,286	122,573	151,305
Rentals of buildings and machinery	-	54,043	41,929	-	95,972
Transportation and telecommunication services	-	4,805	15,088	11,723	31,616
Information services	-	1,857	2,226	6,596	10,679
Repair and maintenance	-	546	1,933	905	3,384
Other expenses	-	187	86	470	743
Total Operating Expenses	**7,920**	**2,834,512**	**2,562,673**	**3,718,778**	**9,123,883**
Total Expenses	**1,288,667**	**33,381,348**	**2,562,673**	**3,718,778**	**40,951,466**
Total Revenues	**-**	**-**	**-**	**-**	**-**
Net Cost From Continuing Operations	**1,288,667**	**33,381,348**	**2,562,673**	**3,718,778**	**40,951,466**

9. Comparative Information

This is the first year that a set of financial statements including Statement of Financial Position, Statement of Operations, Statement of Equity of Canada and Statement of Cash Flow have been prepared for CanNor, therefore comparative information is not available.